

Message Text

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73

ACTION EUR-25

INFO OCT-01 ADP-00 AID-20 CIAE-00 COME-00 EB-11 FRB-02

INR-10 NSAE-00 RSC-01 TRSE-00 XMB-07 OPIC-12 CIEP-02

LAB-06 SIL-01 OMB-01 RSR-01 /100 W

----- 009682

R 201319Z JUL 73

FM AMEMBASSY STOCKHOLM

TO SECSTATE WASHDC 428

INFO AMEMBASSY BONN

AMEMBASSY BRUSSELS

US MISSION EC BRUSSELS UNN

AMEMBASSY COPENHAGEN

AMEMBASSY HELSINKI

AMEMBASSY LONDON

AMEMBASSY OSLO

AMEMBASSY PARIS

US MISSION OECD PARIS UNN

AMEMBASSY ROME

AMEMBASSY THE HAGUE

UNCLAS STOCKHOLM 2503

DEPT PASS TREASURY AND FEDERAL RESERVE

E.O. 11652 N/A

TAGS: EFIN, SW, GW

SUBJECT: BUNDESBANK SUPPORTS SWEDISH KRONA

REF: STOCKHOLM'S A-303

1. LOCAL PRESS REPORTS THAT BUNDESBANK PURCHASED SMALL AMOUNTS OF SWEDISH KRONOR JULY 18 AND PURCHASED SOME 4.2 MILLION KRONOR JULY 19. ONLY REASON GIVEN BY LOCAL BANKING SOURCES WAS OBVIOUS ONE THAT MARK WAS AT TOP AND KRONA AT BOTTOM OF EC "SNAKE".

2. SINCE SWEDISH FOREIGN EXCHANGE RESERVES ARE AT ALL-TIME
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HIGH (SEE REPAIR), THERE WAS SOME CURIOSITY IN PRESS AND

BANKING CIRCLES AS TO WHY SWEDISH KRONA SHOULD BE AT BOTTOM
OF SNAKE. ONE REASON PUT FORWARD WAS THAT INTEREST RATES IN
SWEDEN ARE NOW LOWER THAN ELSEWHERE IN EUROPE AND MANY
OBSERVERS DOUBT THAT DOMESTIC RATES IN SWEDEN WILL BE RAISED
UNTIL AFTER SEPTEMBER ELECTION. IF THIS OPINION IS WIDELY
HELD IT WOULD, OF COURSE, DRIVE AWAY INTEREST-SENSITIVE
FUNDS.

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